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## BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

Arizona Corporation Commission

DOCKETED

MAY - 7 2012

DOCKETED BY

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IN THE MATTER OF THE APPLICATION )  
OF SOUTHLAND UTILITIES COMPANY, )  
INC. FOR AUTHORITY TO INCUR LONG- )  
TERM DEBT. )

DOCKET NO. W-02062A-09-0466

IN THE MATTER OF THE APPLICATION )  
OF SOUTHLAND UTILITIES COMPANY, )  
INC. FOR A RATE INCREASE. )

DOCKET NO. W-02062A-09-0515

DECISION NO. 73153

ORDER AMENDING  
DECISION NO. 72429

Open Meeting  
April 25, 1012  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southland Utilities, Inc. ("Southland" or the "Company") is an Arizona Class C public utility corporation engaged in the business of providing water service to approximately 600 customers south of Sierra Vista, Arizona.

2. Southland's current rates and charges were set by the Commission in Decision No. 72429 (June 24, 2011).

3. On January 6, 2012, the Company filed an application to amend Decision No. 72429 pursuant to A.R.S. § 40-252.

4. Southland had borrowed \$494,622 from Tucson/Sierra Properties, L.L.P. ("Sierra Properties") to purchase a storage tank to replace a leaky storage tank and to purchase a new

Decision No. \_\_\_\_\_

1 165,000 gallon storage tank. Southland did not have the ability to repay the loan and had requested  
2 approval to refinance the debt to Sierra Properties with the proceeds of a loan obtained from the  
3 Water Infrastructure Finance Authority of Arizona ("WIFA"). At the time of its application and  
4 the subsequent Decision, Southland was unaware that the loan from WIFA could not be used to  
5 refinance the debt to Sierra Properties. Southland's application to amend requested that the  
6 Commission amend Decision No. 72429 to allow Southland to transfer the storage tanks to  
7 Tucson/Sierra Properties, L.L.P. and then repurchase the tanks with proceeds from the loan from  
8 WIFA that was approved in Decision No. 72429. The Decision had approved the Company's loan  
9 from WIFA and the use of the loan proceeds to pay an existing debt to Sierra Properties.

10 5. The Commission finds the Company's request to be in the public interest and  
11 modifies Decision No. 72429 as follows:

12 6. Existing Finding of Fact 51 is deleted in its entirety and replaced with the following  
13 new Finding of Fact 51:

14 *51. Southland's Finance Application requested Commission approval*  
15 *to obtain a \$1,825,941 loan from WIFA for a term of 20 years at an*  
16 *interest rate of 5.25 percent. Southland plans to use the funds to*  
*finance a number of system improvements and acquire plant assets.*

17 7. Existing Finding of Fact 52 is deleted in its entirety and replaced with the  
18 following new Finding of Fact 52:

19  
20 *52. According to Southland, the Company had previously borrowed*  
21 *\$494,622 from Tucson/Sierra Properties, L.L.P. in order to replace*  
22 *one failing and inadequate storage tank and to purchase a second*  
23 *storage tank in order to alleviate issues arising during the high-*  
24 *demand summer months. Southland initially sought to use part of the*  
25 *funds from the WIFA loan to repay this short-term loan. The*  
26 *promissory note for the loan was dated October 1, 2008, and became*  
27 *due and payable on September 29, 2009. The interest rate on the loan*  
28 *was 2.19 percent. However, according to WIFA, refinancing may not*  
*be available in this case. Further, Southland has not repaid*  
*Tucson/Sierra Properties, L.L.P., and consequently, Southland and the*  
*system assets purchased with the loan proceeds may be subject to lien,*  
*reversion, or adverse judgment at this time.*

8. Existing Finding of Fact 56 is deleted in its entirety and replaced with the following new Finding of Fact 56:

*56. Accordingly, we approve the company's use of the WIFA loan proceeds to repay the \$494,622 short-term loan. Alternatively, if refinancing is not feasible pursuant to rules governing the WIFA loan process, we authorize the Company to take appropriate action to transfer to Tucson/Sierra Properties, L.L.P. and then reacquire the two new storage tanks, booster pump, and related system improvements. We approve the Company's use of the WIFA loan proceeds to acquire this plant as described above in an amount not to exceed \$494,622.*

9. Existing Finding of Fact 64 is deleted in its entirety and replaced with the following new Finding of Fact 64:

*64. Staff concludes that issuance of a long-term amortizing loan of approximately 18 to 22 years for the \$1,825,941 estimated cost of the capital improvements and acquisitions is appropriate, is within Southland's corporate powers, is compatible with the public interest, would not impair its ability to provide services and would be consistent with sound financial practices.*

10. Existing Finding of Fact 65 is deleted in its entirety and replaced with the following new Finding of Fact 65:

*65. Staff recommends Commission authorization for Southland to obtain an 18-22 year amortizing loan, at a rate in an amount not to exceed \$1,825,941, to finance the stated improvements and acquisitions and repay the short-term loan, and at an interest rate not to exceed that which is available from WIFA.*

11. The existing ordering paragraph found at page 24, lines 12-15 is deleted in its entirety and replaced with the follow new ordering paragraph:

*IT IS FURTHER ORDERED that Southland Utilities Company, Inc. is hereby authorized to obtain an 18-to-22 year amortizing loan in an amount not to exceed \$1,825,941 to finance the stated improvements and acquisitions, and at an interest rate not to exceed that which is available from WIFA.*

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CONCLUSIONS OF LAW

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2 1. Southland Utilities Company, Inc. is a public service company the meaning of  
3 Article 15 of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-285, 40-367, 40-202, 40-  
4 321 and 40-361.

5 2. The Commission has jurisdiction over Southland Utilities Company, Inc., and the  
6 subject matter contained in the rate application, financing application and the Application to  
7 Amend Decision No. 72429.

8 3. The Commission having considered Southland Utilities Company, Inc.'s  
9 Application to Amend Decision No. 72429, with notice and opportunity, to be heard concludes  
10 that it is in the public interest to modify Decision No. 72429 as discussed herein.

11  
12 ORDER

13 IT IS THEREFORE ORDERED that Decision No. 72429 is modified by the Commission  
14 as provided herein.

15 IT IS FURTHER ORDERED that this Decision become effective immediately.

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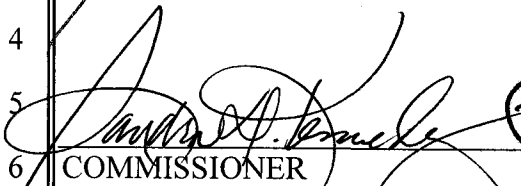
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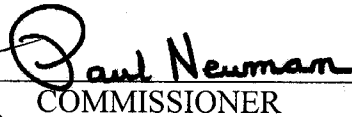
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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

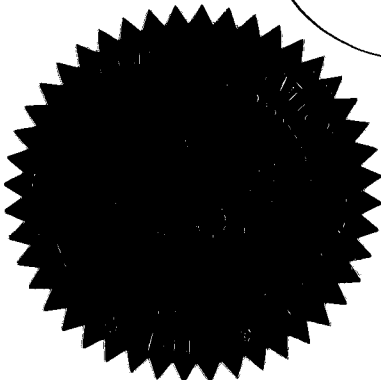
  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

  
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COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
Executive Director of the Arizona Corporation  
Commission, have hereunto, set my hand and caused the  
official seal of this Commission to be affixed at the  
Capitol, in the City of Phoenix, this 7th day  
of MAY, 2012.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

1 SERVICE LIST FOR:  
2 DOCKET NO. W-02062A-09-0466 et al.

3 Mr. Steven M. Olea  
4 Director, Utilities Division  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85007

8 Ms. Janice M. Alward  
9 Chief Counsel, Legal Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Steve Wene  
14 MOYES SELLERS & SIMS  
15 1850 North Central Avenue, Suite 1100  
16 Phoenix, AZ 85004  
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